

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 OES-06 INT-05

DHA-02 PA-01 PRS-01 NSC-05 SS-15 STR-04 CEA-01 IO-13

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R 261516Z AUG 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 4346

INFO ALL EC CAPITALS 0166

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DEPT PASS AGRICULTURE FROM AGRICULTURAL ATTACHE

E.O. 11652: N/A

TAGS: EAGR/FR; EC, ECON

SUBJECT: IMPACT OF GOF DROUGHT ASSISTANCE

REF: PARIS 24705

1. BY ANNOUNCING AUGUST 25 MEASURES WELL IN ADVANCE OF SEPTEMBER 29 "STOCK-TAKING" GOF MEETS DEMANDS OF OPPOSITION PARTIES AND AGRICULTURAL GROUPS TO PROVIDE IMMEDIATE HELP TO CATTLE RAISERS. (OF COURSE, THIS FINANCIAL ASSISTANCE WILL NOT ACTUALLY BE IN HANDS OF FARMERS UNTIL AFTER SEPTEMBER 29 BECAUSE OF ADMINISTRATIVE DELAYS.) DECLARATION OF DEBATISSE, PRESIDENT OF FNSEA (NATIONAL FARMERS' FEDERATION), WELCOMES ANNOUNCEMENT BUT OBSERVES THAT AID WILL NOT COVER ONE-THIRD OF LOSSES OF FARMERS. HE ALSO POINTS OUT THAT MEASURES HAVE NOT YET BEEN TAKEN TO HELP GROWERS OF CEREALS, SUGARBEETS, FRUIT, VEGETABLES AND POTATOES. WITH DROUGHT CONTINUING AT MAXIMUM INTEN-

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SITY IN ALL BUT SOUTHERN FRANCE, SOME FARM ORGANIZATIONS

ARE NOW CLAIMING LOSSES FOR FRENCH AGRICULTURE OF TEN BILLION FRANCS. THUS, IT IS CLEAR THAT GOF HAS ONLY APPROACHED PROBLEM OF INDEMNIFYING FARMERS' DROUGHT LOSSES AND THE HARD DECISIONS LIE AHEAD.

2. PIERRE JOXE, AGRICULTURAL SPOKESMAN OF SOCIALIST PARTY, HAS ATTACKED GOVERNMENT PROPOSALS. HE HAS DECLARED THAT AID FOR CATTLEMEN AMOUNTS TO LESS THAN ONE-HALF THAT WHICH PS PROPOSED LAST JULY. FURTHERMORE, JOXE SAYS, EXONERATION OF INTEREST PAYMENTS FOR LOANS TO YOUNG FARMERS DOESN'T BEGIN TO HELP THEM IN MEETING THEIR DIFFICULT HEAVY DEBT BURDEN. FINALLY, HE CALLS FOR MEASURES TO CONTROL SPECULATION ON FORAGE AND SOYBEAN MEAL AND FOR OVERALL FARMER COMPENSATION.

3. RAYMOND BARRE, NEWLY APPOINTED PRIME MINISTER, WILL HAVE THIS PROBLEM TOSSED IN HIS LAP. HE MUST ARRIVE AT A PLAN SUFFICIENTLY GENEROUS TO AT LEAST PARTIALLY SATISFY FARM COMMUNITY WHILE AT SAME TIME DEVISING NON-INFLATIONARY FINANCING METHODS. ALL EYES IN FRANCE WILL BE FOCUSED ON HIS DECISIONS IN THIS REGARD SINCE HE HAS MADE HIS REPUTATION AS FINANCIAL EXPERT AND SINCE PRESIDENT GISCARD, IN ANNOUNCING HIS SELECTION OF BARRE, SINGLED OUT CONTROL OF INFLATION AS HIS PRIMARY TASK. OBSERVERS TUNED INTO GOVERNMENTAL AFFAIRS ARE UNITED IN THEIR VIEW THAT BONNET WILL CONTINUE ON AS AGMIN - SUGGESTING DIRECT CONTINUITY IN GOF AGRICULTURAL POLICY.

4. THAT FINANCING AGRICULTURAL AID MUST BE ACCOMPLISHED IN A NON-INFLATIONARY MANNER IS GENERALLY FOREGONE CONCLUSION. THAT THIS CAN BE DONE WITHOUT STIRRING UP PROTRACTED DEBATE AND DISSENTION IS NOT. CGC (NATIONAL UNION OF DIRECTORS-INCLUDES INDUSTRIAL FOREMEN TO TOP LEVEL EXECUTIVES) HAS ALREADY DECLARED THAT METHOD OF FINANCING FOR ANNOUNCED AID TO CATTLEMEN - A SUR-TAX ON MIDDLE AND UPPER LEVEL INCOMES - WOULD NOT BE EQUITABLE. CGC SAW NO REASON FOR WAGE EARNERS TO PAY FARMER LOSSES AND ASKED THAT TAXES PAID BY FARMERS BE EXAMINED WITH MORE SCRUTINY.

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5. RECENT ANNOUNCEMENT THAT PRIME MINISTER TINDEMANS OF BELGIUM HAS DECIDED TO ASK EC TO EXAMINE MEASURES WHICH CAN BE TAKEN TO ASSIST IN DROUGHT CRISIS WITHOUT VIOLATING TREATY OF ROME COULD BE OPENING LOGICALLY SOUGHT BY FRENCH TO SEEK SOME SORT OF DIRECT AID FROM EC FOR ITS FARM COMMUNITY. WHATEVER ASSISTANCE IS FORTHCOMING FROM EC WILL SERVE TO TAKE PRESSURE OFF FRENCH, BUT WE ASSUME THAT IT WILL NOT BE SUFFICIENT TO AVOID A

SERIOUS DOMESTIC PROBLEM FOR GOF. ABOVE DESCRIBED OP-
POSITION OF CGC IS FIRST MAJOR PUBLIC OPPOSITION THAT WE
ARE AWARE OF IN FRANCE TO DIRECT ASSISTANCE FOR FARMERS.
IT COULD SIGNAL END OF "CARTE BLANCHE" WHICH AGRICULTURE
HAS HAD IN DEMANDING GOVERNMENTAL SUPPORT. WE DO NOT
SUGGEST THAT THERE WILL BE ANY MARKED DIMUNITION OF
SUPPORT FOR CONCEPT OF COMMON AGRICULTURAL POLICY, BUT
WE DO BELIEVE THAT AGRICULTURE IN DOMESTIC CONTEXT WILL

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BECOME SOMEWHAT LESS OF "SACRED COW" AS IT VIES WITH
OTHER GROUPS FOR AVAILABLE GOVERNMENTAL FINANCIAL SUP-
PORT.

6. WHETHER ASSISTANCE TO CATTLEMEN ANNOUNCED ON AUGUST
25 WILL ACCOMPLISH ITS PURPOSE OF AVOIDING DISTRESS
SLAUGHTER OF FRENCH CATTLE HERD IS ANOTHER MOOT POINT.
THERE ARE NO PROVISIONS IN MEASURES TO GUARANTEE THAT

CATTLE RAISERS WILL USE ALL OF NEW FUNDS FOR PURPOSE OF CONSERVING THEIR HERDS. UNLESS THIS IS MADE MORE SPECIFIC IN FUTURE, A CATTLE RAISER COULD DECIDE THAT FORAGE AND FEED FOR HIS CATTLE WOULD BE TOO EXPENSIVE, POCKET HIS GOVERNMENTAL PAYMENTS, AND SEND HIS CATTLE TO SLAUGHTER ANYWAY. TO AVOID THIS EVENTUALITY AND CRITICISM FROM OTHER EC MEMBERS THAT FRANCE IS REGULARIZING DIRECT PAYMENTS FOR COW RETENTION (MEASURES OF A SIMILAR NATURE WERE IN EFFECT IN 1974 AND 1975), REVISIONS IN SCHEME CAN BE ANTICIPATED. ITEB (CATTLEMEN'S TECHNICAL LIMITED OFFICIAL USE

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INSTITUTE) CONTINUES TO FORESEE HEAVY DEFICIT OF FORAGE FOR CATTLE DURING FALL AND WINTER - DESPITE ALL PREVIOUS MEASURES TAKEN TO SUBSTITUTE STRAW AND OTHER FEEDS FOR HUGE 50 PERCENT SHORTFALL IN NORMAL FORAGE. IT IS APPARENT THAT CATTLE CANNOT EAT FINANCIAL ASSISTANCE TO FARMERS. CONCLUSION IS THAT FRANCE MUST STEP UP ITS IMPORTS OF FEED GRAINS (NOTABLY CORN FROM US) AND OTHER CATTLE FEED PRODUCTS TO MINIMIZE ANTICIPATED INCREASE IN CATTLE SLAUGHTER IN FALL AND WINTER.
GAMMON

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